

Chapter

4

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EMPLOYER RESPONSIBILITIES

Employer should ensure that the correct member and employer contributions are remitted to KTRS in a timely manner. Contributions for prior periods are remitted separately from current year contributions along with proper documentation explaining the correction. Quarterly KTRS escrow and matching contribution reports sent to employers are promptly reviewed for accuracy. Remittance Reports for Employee and Employer Matching Contributions (Form R-I) should be accurately completed and should agree with the checks sent to KTRS.

DISTRIBUTION OF MEMBER AND EMPLOYER CONTRIBUTIONS

| CONTRIBUTION TYPE | 07-01-02 Through 06-30-03 | After 07-01-03 |
|---|--|---------------------------|
| MEMBER KTRS Contribution Rate | 9.855% | 9.855% |
| MEMBER KTRS Retirement Portion | 9.105% | 9.105% |
| MEMBER Medical Insurance Portion | 0.75% | 0.75% |
| | | |
| EMPLOYER KTRS Contribution Rate | 13.105% | 13.105% |
| EMPLOYER Medical Insurance Contribution | 3.0% | 2.05% |
| EMPLOYER Life Insurance Contribution | .75% | .69% |
| EMPLOYER KTRS Retirement Contribution | 9.355% | 10.365% |

MEMBER KTRS RETIREMENT CONTRIBUTIONS

(KRS 161.540 and 161.420(5))

Member retirement contributions are 9.855 percent of total creditable earnings.

Effective July 1, 2002, the KTRS membership expanded to include part-time employees, substitutes, and retired KTRS members who return to work. Retirement contribution rates for these new groups are the same as full-time active members (9.855%).

EMPLOYER KTRS RETIREMENT CONTRIBUTIONS

(KRS 161.550, 161.420 (5), KRS 161.420(10)) KTRS-covered employers and the State of Kentucky share employer contributions for KTRS members. Employer contribution rate for non-university members is 13.105%.

Each participating KTRS employer pays the employer matching contributions directly to KTRS. Employer matching contributions for local school district employees are paid by the Kentucky Department of Education directly to KTRS on a monthly basis. However, school districts are required to remit matching contributions on those school district employees whose salaries are paid by federal monies.

EMPLOYER KTRS CONTRIBUTIONS ON SALARIES PAID FROM FEDERAL FUNDS (LOCAL SCHOOL DISTRICTS ONLY)

(KRS 161.555) Since each KTRS employer directly remits the employer matching contributions to KTRS, this law applies only to local school districts. If any portion of a member's salary is paid from federal funds administered by the local school district, then the employer pays KTRS an employer contribution equal to 12.305 percent of the salary paid from federal funds, including stipends and substitute pay. **Effective July 1, 2004, the employer contribution rate for members in positions established under educational acts established by the federal Congress will increase to 13.105 percent.** Examples of programs paid from federal funds include, but are not limited to:

- Title I, Title II and Title IV Program
- 89-313 Special Education or 94-142 Federal Flowthrough
- Carl D. Perkins Vocational Education Act
- Goals 2000
- Juvenile Justice
- Title II - Eisenhower - Math/Science
- Workforce and Migrant Grants

MEDICAL INSURANCE CONTRIBUTION

(KRS 161.420 (5)) All active KTRS members, including substitute, part-time, and retired teachers are required to make contributions toward the cost of health benefits. The members' KTRS Medical Insurance Fund contribution is 0.75 percent of their annual KTRS compensation. This contribution is included in the 9.855% contribution withheld from a KTRS member's salary.

The KTRS actuary reviews the contribution rates annually; therefore, amounts allocated to the KTRS MIF fund may change each fiscal year. (See chart on page 2.)

LIFE INSURANCE CONTRIBUTION

(KRS 161.420(10)) Also included in each employer contribution is a payment for a KTRS life insurance benefit. The allocations to the life insurance fund are reviewed annually by the KTRS actuary and may change periodically. (See chart on page 2.)

DISTRIBUTION OF MEMBER AND EMPLOYER CONTRIBUTIONS

| Contribution Type | 07-01-02 Through 6-30-03 | After 7-01-03 |
|---|---|--------------------------|
| Member KTRS Contribution Rate | 9.855% | 9.855% |
| Member KTRS Retirement Portion | 9.105% | 9.105% |
| Member Medical Insurance Portion | 0.750% | 0.750% |
| Employer KTRS Contribution Rate | 13.105% | 13.105% |
| Employer Medical Insurance Contribution | 3.000 % | 2.050% |
| Employer Life Insurance Contribution | .750% | .690% |
| Employer KTRS Retirement Contribution | 9.355% | 10.365% |

TIMELY SUBMISSION OF CONTRIBUTIONS BY EMPLOYERS

(KRS 161.560 and 102 KAR1: 210) All contributions must be remitted to KTRS no later than fifteen days following the end of each payroll period. KTRS mails each employer a payroll calendar (Form R-15) before the beginning of a new school year. When you receive this form, circle the dates when retirement contributions will be deducted from the KTRS-covered employees' salaries for the coming school year. Return the form to KTRS by the due date and keep a copy for your files.

The dates you indicate on the payroll calendar are used by KTRS personnel to verify timely remittances by KTRS employers. If any pay dates change, contact the KTRS Accounting Department immediately to avoid a potential penalty.

CONTRIBUTIONS SCHEDULE

Deposits from each employer for the KTRS member and employer contributions and installment payments are due 15 calendar days after the date KTRS members are paid. All contributions for the school year ending June 30 are due by **July 15**.

Contributions that are not received by the due date will be assessed late payment penalties that are payable by the employer within 30 days of receipt of the late contributions. Penalties will be assessed on late payments regardless of the remittance method used.

PENALTY FOR LATE PAYMENTS

Past due payments of KTRS member and employer contributions will be assessed a penalty equal to 1 percent of the late payment. After an employer receives a late payment penalty notice, they have thirty days to pay the penalty. If the late penalty is not received within this thirty-day period, then an additional penalty will be levied.

By law, July 15 is the last day to deposit contributions for the previous fiscal year. Contributions KTRS receives after July 15 are subject to the late-payment penalty.

SUGGESTIONS FOR REMITTING TIMELY CONTRIBUTIONS

To avoid a late-payment penalty, follow these guidelines:

- Sign up for the KTRS EFT program and make the transfer at least one banking business day before the due date.
- Mail your remittances five to seven days before the due date to allow for mailing delays. Do not mail contributions or payments via certified mail.
- Use the appropriate form for the contributions you are remitting.
- If you choose to use a courier service, contact the KTRS Accounting Department for the proper address to use. Be aware, however, that using this method could result in delays in the processing (deposit) of your contributions.

MANNER OF REMITTING CONTRIBUTIONS TO KTRS

Employers currently may remit contributions and payments to KTRS by either electronic funds transfer (EFT) or check. Regardless of the payment method, the due dates, late-payment penalties, and bills and statements you receive for verification and reconciliation are the same.

HOW THE ELECTRONIC FUNDS TRANSFER (EFT) SYSTEM WORKS

You can remit contributions and payments to KTRS electronically via the EFT system using the Automated Clearing House (ACH) debit method. The ACH is a funds transfer system that facilitates the electronic transfer of funds from one bank account to another between unrelated financial institutions.

Using EFT, you can remit employer contributions as well as installment payments to KTRS. If you elect to remit using EFT, all of these contributions and payments must be remitted to KTRS using this method.

SETTING UP THE ELECTRONIC FUNDS TRANSFER (EFT) SYSTEM

You will need to contact your bank about setting up the EFT. You will be required to know KTRS' banking information, such as routing number and account number. This information is obtained by ~~either calling our toll free number 888-891-2696 or by e-mailing~~ KTRS.info@mail.state.ky.us.

EFT ADVANTAGES

Although EFT remittance is not required yet, it will be soon. You will find EFT offers several advantages over check remittance:

- Peace of mind - EFT assures that we receive your payments on a timely basis with no risk of your payment being lost in the mail.
- Cost Reduction - EFT eliminates costs for generating checks and postage.
- Control - EFT gives you control over when your bank account is debited.
- No more penalties - If you do the EFT before the due date, you avoid penalties caused by postal delays. This allows you maximum use of your funds while ensuring that KTRS receives payments by the due dates.

KTRS EMPLOYER REMITTANCE REPORT FOR EMPLOYEE AND EMPLOYER MATCHING CONTRIBUTIONS (FORM R-1)

If you remit contributions by check, KTRS will mail you preprinted "Employer Remittance Report for Employee and Employer Matching Contributions" forms for each pay period in the coming school year. (The pay periods are determined by the dates you indicated on the pay period schedule form you returned to KTRS.) The remittance forms are preprinted with the fiscal year, employer number, and employer name.

Use these contribution forms when paying KTRS member and employer contributions.

Total 9.855 percent member contributions are recorded in Column 1. Employee contributions for employees paid with federal funds are reported in Column 2. Employer's 12.305 percent contributions on salary paid to members from federal funds are recorded in Column 3 (Note: Effective July 1, 2004, this percentage will increase to 13.105). Penalties paid on late contributions should be documented in Part C of the form. All columns and rows should be filled in correctly. Forms with totals only are not accepted.

ESCROW AND MATCHING REPORT

Every three months KTRS mails each employer a statement of contributions received by KTRS. Please review these statements carefully and contact the KTRS Accounting Department (888-891-2696) if you have any questions. Keep each quarterly statement and use them when you complete the Employer's Annual Report of Earnings.

The statement "Escrow and Matching Report" shows the KTRS member and employer contributions received for the fiscal year to date. (Please refer to Chapter 8 for specific information regarding the Installment Payments through Payroll Deduction Program.)

PICK-UP OF EMPLOYEE CONTRIBUTIONS

Kentucky law requires you to pick up on a before-tax basis the entire 9.855 percent KTRS member contribution. As a result, the 9.855 percent contribution is treated as employer contributions under the Internal Revenue Code and is **excluded** from the member's taxable income.

However, these contributions are considered salary and are to be included in the member's salary rate when reported to KTRS. Creditable earnings should always include KTRS contributions. Taxable earnings exclude KTRS contributions.

SALARY SCHEDULE REDUCTION

Under this method, creditable earnings are equal to the salary schedule amount. You withhold the 9.855 percent member contributions from the member's salary and remit the contribution to KTRS. Taxable earnings are the creditable earnings less the retirement contribution.

Example:

| | |
|---|--------------------|
| Salary schedule | \$ 10,000.00 |
| Annual Compensation | \$ 10,000.00 |
| KTRS member contribution | X .09855 |
| Contribution amount to be remitted | \$ 985.50 |
| Taxable earnings: | |
| Creditable earnings | \$ 10,000.00 |
| Less 9.855 percent contribution | <u>- 985.50</u> |
| Taxable earnings | <u>\$ 9,014.50</u> |